The Philippine Sugar Industry

By Harold M. Pitt, in The Federal Reporter for November, 1910.

f the great food commodities of d and one of the cheapest of all ments is sugar. While not es- to man's life in the sense that s, or corn, or any of these other s that constitute the basis of life-sustaining food, yet it is in practically all of them and an extent in some agricultural s as to permit segregation into stinct article that commerce vailable for the specific use of vidual. There are two agricul- products in which has been de- the source of supply of sugar separate commercial commodity. are a certain kind of cane and of nown as sugar cane and sugar The cane is a tropical product cultivated principally on islands well within the tropic zone al- it is produced to some extent warm temperate regions as a and Texas in the United the islands of Formosa, Argen- South America, and on the con- of Australia. The bulk of the supply of cane sugar, however, from he islands of the East and t Indies, including Cuba, Porto Java, and the Philippines; from in the midpacific and the island of Mauritius which lies coast of Madagascar. The sugar a temperate zone product and up 00 was grown exclusively in countries with the exception small quantity that had been experimentally in the United The business of extracting from the cane dates back into that of utilizing beets for sim- rposes was not undertaken seri- until about 1830, when the ents of Germany and Austria- y sought to establish the in- in order to be freed from de- e upon the tropical countries r supply of sugar. Other Euro- tions followed the example with lt that beet sugar produced on inent of Europe came to exceed nsumption in several countries, led to competiion among them export trade. The system of bounties on exports was then in- the expenses for which va- et sugar exporting nations had by levying excessive consump- s within their own confines. ural result was to make sugar in those countries, where im- e necessary to supply the de- r consumption, than in those duced it. In the meantime the n of beet sugar had outgrown e cane product and by reason port bounty device was serious- ing it in the world's markets.

These changes all had their effect on the industry in the Philippines, where for more than one hundred years cane sugar had been an important export product.

The first authentic record we have been able to find relating to Philippine sugar is from the imports into the United States dating back to 1759, in which year 296,219 pounds were credited to these islands. For ten years following the importations were not important except as they showed the existence of the industry in the Philippines. Sailing vessels early learned to complete their cargoes with sugar from Manila and tea from Canton before starting on their return voyages from the Orient.

The most notable advance in the industry in these islands appears to have been coincident with the Crimean war and was probably due to an increased consumption throughout the civilized world which greatly enhanced the price and made the industry so profitable as to prove an alluring attraction for capital, the free investment of which quickly developed plantations in the provinces of Lampanga, Batangas, and Tarlac, Luzon and later in the islands of Negros, Cebu, and Panay. Sugar cane is cultivated in nearly every section of the archipelago and sugar is manufactured in commercial quantities for local consumption in many provinces, but those named above furnish practically all that is exported. The only Spanish records available showing exports of sugar do not date earlier than 1854, for which year the figures were 47,704 metric tons. Of this amount Negros contributed a trifle over five thousand tons. Conditions for the cultivation were found to be exceptionally favorable in that island and production increased more rapidly there than in any other section, jumping from 6,000 tons in 1855, to 30,000 in 1860 and 125,000 in 1893. There is a difference among authorities as to the largest production of sugar in the Philippines in any given year. Senor Jose de Luzuriaga, in an article contributed to the Philippine census, gives the crop of 1893 as the largest and details the production as follows, expressed in tons of 2,000 pounds:

Negros	125,000
Pampanga and Tarlac	43,750
Batangas	40,625
Panay	48,750
Cebu	18,750
Pangasinan	3,125
Bataan	1,875
Laguna	1,875
Bohol	1,250
Tayabas	1,250
Ilocos Norte	1,250
Ilocos Sur	625
Nueva Ecija	625
Total	300,000

Spanish customs records give exports for 1892 as the largest and the official figures for that year place the amount exported at 312,798 metric tons. The belief, however, that there is some error in these figures is well founded for the reports of the Manila Chamber of Commerce compiled by calender years credit the heaviest exports to 1893, for which year they are given at 4,186,982 picals, which equals 261,686 tons.

Whichever figures are correct, and it is probable that those of Sr. Luzuriaga are more nearly so than the ones from Spanish records (they agree with exports as compiled by the Chamber of Commerce when allowance is made for local consumption), there can be no doubt that that year marked the highest point of development reached by the sugar industry in the Philippines. Immediately following this period, a number of causes combined to check its development, important among which was the panic and break in silver that occured in 1893. The manner in which the industry was adversely affected by a financial upheaval on the other side of the globe came about in this way: Russell, Sturgis & Co., a commercial firm founded by Americans, had grown to be one of the largest institutions of its kind doing business in the Orient. Their branch at Iloilo was extensively interested in sugar and had been instrumental to a considerable degree in developing the industry in Panay and Negros. It was her custom to make advances to planters for the purchase of machinery and for planting and cultivating crops, then take payment in sugar after harvesting. As they were heavy exporters of sugar and this system enabled them to control a big proportion of the crop, it proved highly profitable, but at the same time made it necessary for them to make very liberal use of their banking credit, as the capital required from one season to another was naturally great. When the panic came it found them with assets that were undoubtedly ample and good but entirely lacking the very essential liquid quality which permits of ready conversion. Banking facilities were then controlled by British institutions who were influenced to call in their loans by he great Baring failure in London and the fall in Silver—then the money basis of these islands. Russell, Sturgis & Co. were not prepared to meet the demand and were forced into bankruptcy. The planters who had depended upon them for financial assistance were deprived of this support and thus obliged to restrict their operations. The depression in the value of silver placed a heavy burden of exchange on the commerce of the islands thus reducing the market value of all export products and increasing the cost of foreign goods. The result was evidenced in a falling off in exports of sugar for 1894 of nearly seventy thousand tons or twenty-six per cent.

It was about this time that the beet sugar industry was receiving attention and government assistance in the United States. That country had become a large user of European beet sugar which was imported at low cost on account of the export bounty it had received from the governments of the countries where grown. Recognizing the desirability of producing more of the sugar it was consuming the United States was paying a bounty on the local product including both the cane and beet. This later gave way to a high protective duty which is wholly effective for the reason that large importations of sugar are stil necessary notwithstanding the fact that production has recorded an enormous increase under the stimulus of high prices.

Beet sugar is turned out by the mills in refined form and, due largely to this fact, offered a competition that made it necessary for the refiners of raw cane sugar to obtain a higher grade than it had been customary to use. This requirement was emphasized in the United States as beet sugar became an important factor in the market. In the principal cane growing countries, notably Cuba, Hawaii and Java, from which the United States had been drawing the larger part of its supply, the industry responded to this demand, but the Philippine planter deprived of the financial assistance upon which it had become his custom to depend, was unable to procure the expensive equipment that would alone enable him to produce sugar of the highest grades and so was compelled to fall behind in the race. The best grade of sugar exported from these islands polarizes around 88 or 89 degrees and is in the class designated as Muscovados, the value of which, in the New York market, is $11.20 less per ton than that of the standard 96 degree article. This is our best grade—most of the crop is of the heavy molasses variety, ranging down to 75 degrees test and worth $16.80 less per ton than 96 test sugars. Cuba, which is the heaviest grower among countries from which the United States draws its supply of raw cane sugar, produces very little that falls under 94 degrees polaricopic test and the greater part goes to 95 and 96. Hawaii's product is practically all high grade, and Java, where the government exercises infinite care in the supervision and regulation of the industry, supplies to the United States each year several hundred thousand tons of raw cane sugar that averages above 97½ degrees test. This furnishes a striking illustration of the advance that has been accomplished by the industry since twenty years ago when the sugar generally produced was of the same grade as the present output of the Philippines where not only has the grade remained unimproved, but where production has actually fallen off.

The outbreak of an insurrection against Spain in 1896 disrupted conditions as regards labor and all internal economies and before the country had had opportunity to become tranquillized the insurrection of 1899 against American authority, which quickly degenerated into a devastating guerrilla warfare, kept the islands in a state of ferment that stifled nearly all industrial activity. Then, just when affairs began to settle and the people were to have opportunity to renew their pursuits in peace, an epidemic of rinderpest lasting through two years killed a full 80 per cent. of the work animals on the farms and left the people without their accustomed help in tilling the soil. This completed a demoralization that had become general but affected most seriously the sugar industry because of the ruinous state into which it had already been plunged, first by the loss of the financial support upon which it had mainly been built up, then the competition created by a demand for higher grades of raw sugar which it was unprepared to meet, followed by two insurrections but a short period apart which caused great destruction of property and depletion of the labor supply. Then came the culminating misfortune of loss of the work animals upon which depended the cultivation of the fields. There is little wonder that the industry was prostrated; the only wonder is that it continued to exist at all.

When the sugar industry was at its height in the Philippines there were nearly 300,000 acres under cultivation to cane at one time. The area in sugar acres. The Bureau of Internal Revenue has compiled a report, based on personal investigations made by its agents, which places the area contiguous to that already under cultivation, which may be classed as sugar land, at approximately 250,000 acres. These figures indicate the amount of uncultivated sugar land that is available and show how small is the acre yield in these islands. The census of 1902 gives the average product of sugar per acre for the entire archipelago at 2,200 pounds and Pampanga and adjacent provinces where it was but 1,200 pounds and the highest in Negros where the average yield was 2,800 pounds to the acre.

During recent years the production of sugar in these islands has ranged from one hundred and seventy-five to two hundred thousand tons. Of this amount approximately fifty thousand tons have gone into local consumption, the remainder being exported. China has been the best customer taking about two-thirds of total exports. Part of this has gone to the refineries on the cane at present is estimated at 168,263 British island of Hongkong and part to China proper where it is consumed in its raw state. There is a small refinery at Malabon a point near Manila, but it is not a modern plant and does not appear able to compete successfully with the Hongkong refineries even for the local trade. The consumption of refined sugar in the islands has been comparatively insignificant; annual imports, conclusive of that supplied to the United States Army and Navy, amount to less than four thousand tons.

The United States has taken varying quantities of Philippine sugar each year, usually from a sixth to a third of the total exported. The legislation recently enacted by Congress, which provides for admission duty free of up to 300,000 gross tons in a year of Philippine sugar into the United States, makes it probable that all of the better grades produced here will be diverted to that market; and, as the industry should prove strongly attractive to capital for investment in modern mills, there is reason to hope that within a few years improved methods of treatment and manufacture will have changed the character of the product, improving the quality so that all produced will be enabled to enjoy the benefit of the remission of duty.

It is obvious that the future lines of the industry in the Philippines are closely bound up with the question of the commercial relations of these islands with the United States, and those relations, in turn, hinge on the one proposition of sugar. It was the mighty sugar interests of the United States, represented by the refiners, the beet manufacturers, and the cane growers of Louisiana and Texas—nearly all of which are under control of the gigantic Trust—that prevented passage by the Senate in 1906 of a bill providing for unqualified free trade which had received almost unanimous endorsement by the House of Representatives. And it is these same interests, the fear of whose power to check any concessions whatsoever, induced the present administration to arrange a compromise under which a limit was placed on the amount of sugar that should be admitted into the United States from these islands duty free. That this limitation is not necessary for the protection either of the cane or the beet sugar producer of the United States is susceptible to absolute demonstration. The real proplem that confronts the Nation is where it can in the future obtain the sugar to supply the needs of its people and at the same time secure a market for articles of their production that will compensate as an exchange. Hawaii and Porto Rico have reached the limit of their productive capacity; Louisiana and Texas have been able to show but small progress in the industry even after the enjoyment for many years of the benefits of bounties and high protective tariffs, so that it would seem reasonable to assume that those States will not contribute materially to the increasing demand. The beet sugar industry has expanded but little during several years just passed and experience has demonstrated that the irrigated regions of the West furnish the only practicable field for its growth while the area that is there available is so restricted as to proscibe a further rapid development

There remain only the Philippine Islands of all its territory, to which the United States may look for sugar to supply the needs of the people and at the same time, gain a trade in its own products to compensate for the purchase of that great staple.

In 1908 the United States was obliged to buy, in foreign markets, 1,646,456 long tons of sugar. This was 202,796 tons more than was imported in 1895—thirteen years before; yet in those thirteen years production in its own territory had increased 1,116,382 tons which amount, together with 202,796 tons additional, had been absorbed by the actual increase consumption alone, This increase is going on steadily, but neither Hawaii, Porto Rico, Louisiana and Texas or the sugar beet growing States of the West are able to increase their quota of supply, and where the requirements of sugar by the people of the United States in 1908 exceeded production in United States territory by nearly seventeen hundred thousand tons, by 1918 that excess of consumption over production will have grown to more than three million tons.

Where will this enormous quantity of sugar come from? Will the United States purchase the product of Europe, of Cuba, and of Java without receiving trade from those countries to recompense, or will it develop the industry in the Philippines—its own territory—and obtain its supply there, where for every dollar it pays for products of those islands it will sell a dollar's worth of its own?—Manila Times.